



Order 2003-5-15
Served: May 12, 2003

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 12th of May, 2003

TRANSATLANTIC, TRANSPACIFIC,
TRANSBORDER, AND LATIN
AMERICAN SERVICE MAIL RATES
INVESTIGATION

Docket OST-96-1629

(Docket 37392)

ORDER ESTABLISHING FINAL INTERNATIONAL SERVICE MAIL RATES

Summary

By this order the Department establishes new international mail rates for the period from January 1, 2003, through December 31, 2003. The rates currently in effect were established on an interim, retroactively adjustable basis by Order 2002-12-23. The new final rates reflect the revised data submitted by Delta Airlines.

For comparison purposes only, the table below shows a summary of the interim rates set by Order 2002-12-23, and those we are establishing here on a final basis, and reflect space-available and daylight container mail only.

	Order 2002-12-23	Revised	
	<u>Linehaul</u>	<u>Linehaul</u>	<u>Change</u>
Atlantic	\$.2413	\$.2467	2.24%
Latin	\$.3450	\$.3449	-0.03%
Pacific	\$.3491	\$.3491	0%
T-Border	\$.20394	\$.20370	-0.12%
	<u>Terminal</u>	<u>Terminal</u>	
Atlantic	\$.2824	\$.3815	35.09%
Latin	\$.2573	\$.3038	18.07%
Pacific	\$.3809	\$.3809	0%
T-Border	\$.16350	\$.18384	12.44%

Discussion

Order 2002-12-23 established retroactively adjustable interim rates effective January 1, 2003, and also proposed to make those rates final from January 1 through December 31, 2003. American and United objected to that order on January 17 and January 29, 2003, respectively, stating that it appeared that Delta's data were incorrect. On January 30, 2003, Delta acknowledged that its data were indeed incorrect, and requested time to correct it and submit revised data, which it did on March 19, 2003. Both American and United submitted comments, endorsing the use of Delta's revised numbers. There were no objections.

The only change between Order 2002-12-23 and this order is Delta's revised costs. We discussed and accepted the year-over-year changes in the other carriers' costs in the earlier order while questioning the unit cost declines reported by Delta and establishing temporary rates for the period in order to allow for probable correction of some of the carrier's data.

Delta's revisions produce much more consistent results for that carrier. There is little if any change in Delta's unit linehaul costs from those previously reported. For unit terminal costs, however, instead of double-digit declines there are now double-digit increases in Delta's Atlantic and Transborder regions. Such increases are to be expected, because fixed cost elements would have to be spread over fewer units, given the steep declines in Delta's tons enplaned. Our review of Delta's revised data show that the carrier had a 19.97% increase in unit terminal costs in the Atlantic, with a 16.1% decrease in tons enplaned; for the Latin region, a 5.09% increase in unit terminal costs with a 8.95% increase in tons enplaned; and in the Transborder, a 15.9% increase in costs with a 17.84% decrease in tons enplaned. We have prepared Appendix D to facilitate the comparison of accepted unit costs for all carriers.

We find that Delta's revisions and the consequent adjustment of its unit terminal costs, coupled with the previously-accepted costs of the other carriers, produce fair and reasonable final international rates for the categories and regions specified in this order, for the period January 1, 2003, through December 31, 2003. Since this is a technical correction of certain reported data questioned by some of the carriers and the Department, and acknowledged by Delta, and since there have been no objections to Delta's revised data, we have proceeded to establish the final international rates in this order.

ACCORDINGLY,

1. The fair and reasonable final rates of compensation to be paid in their entirety by the Postmaster General pursuant to the provisions of 49 U.S.C. 41901, for the transportation of mail by aircraft, the facilities used and useful therefore, and the services connected therewith, by each holder of a certificate authorizing the transportation of mail by aircraft in the Atlantic, Latin America, Pacific, and Transborder rate areas,¹ for the period January 1 through December 31, 2003, are those specified in the attached Appendix A;
2. The terms and conditions applicable to the transportation of each class of mail at the rates established here are those set forth in Civil Aeronautics Board Orders 79-7-16 and 79-7-17;
3. The rates set here are in lieu of, and not in addition to those set by Order 2002-12-23;
4. This docket will remain open until further order of the Department; and

¹ The rate areas are delineated in Attachments 1, 2, and 3 to Civil Aeronautics Board Order 79-7-17, as modified by Order 84-12-113.

5. We shall serve this order upon parties on the Service List for this Docket.

By:

Read C. Van de Water
Assistant Secretary for Aviation
and International Affairs

(SEAL)

An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>

INTERNATIONAL SERVICE MAIL RATES

Effective: 1/1/2003, through 12/31/2003.

	CY 1975 Rates	Adj. Factors	Proposed Rates
<u>Linehaul Charge per Billing Ton-Mile, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.2022	90.38%	\$0.3849
Space-Available Mail	\$0.1296	90.38%	\$0.2467
<u>Terminal Charge per Pound Originated, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.1139	271.45%	\$0.4231
Space-Available Mail	\$0.1027	271.45%	\$0.3815
Priority and Military Ordinary Mail (Container)	\$0.1629		\$0.3831
Space-Available Mail (Container)	\$0.1452		\$0.3415
<u>Linehaul Charge per Billing Ton-Mile, Latin</u>			
Priority and Military Ordinary Mail	\$0.2135	109.81%	\$0.4479
Space-Available Mail	\$0.1644	109.81%	\$0.3449
<u>Terminal Charge per Pound Originated, Latin</u>			
Priority and Military Ordinary Mail	\$0.0983	233.81%	\$0.3281
Space-Available Mail	\$0.0910	233.81%	\$0.3038
Priority and Military Ordinary Mail (Container)	\$0.1357		\$0.2881
Space-Available Mail (Container)	\$0.1243		\$0.2638
<u>Linehaul Charge per Billing Ton-Mile, Pacific</u>			
Priority and Military Ordinary Mail	\$0.2188	158.79%	\$0.5662
Space-Available Mail	\$0.1349	158.79%	\$0.3491
<u>Terminal Charge per Pound Originated, Pacific</u>			
Priority and Military Ordinary Mail	\$0.1339	228.63%	\$0.4400
Space-Available Mail	\$0.1159	228.63%	\$0.3809
Priority and Military Ordinary Mail (Container)	\$0.2057		\$0.4000
Space-Available Mail (Container)	\$0.1753		\$0.3409
<u>CY 1974</u>			
<u>Rates</u>			
<u>Linehaul Charge per Billing Ton-Mile, Transborder</u>			
Sack	\$0.11490	188.93%	\$0.33198
Standard Container	\$0.08790	188.93%	\$0.25397
Daylight Container	\$0.07050	188.93%	\$0.20370
<u>Terminal Charge per Pound Originated, Transborder</u>			
<u>Capacity</u>			
<u>Taxi</u>			
Sack	\$0.00991	188.93%	\$0.02863
Standard Container	\$0.00979	188.93%	\$0.02829
Daylight Container	\$0.00973	188.93%	\$0.02811
<u>Departure</u>			
Sack	\$0.01186	246.78%	\$0.04113
Standard Container	\$0.01176	246.78%	\$0.04078
Daylight Container	\$0.01164	246.78%	\$0.04037
<u>Terminal</u>			
Sack	\$0.06064	560.31%	\$0.40041
Standard Container	\$0.01746	560.31%	\$0.11529
	\$0.01747	560.31%	\$0.11536
<u>Total Terminal Charge per Pound Originated, Transborder</u>			
Sack	\$0.08241		\$0.47017
Standard Container	\$0.03901		\$0.18436
Daylight Container	\$0.03884		\$0.18384

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

ATLANTIC RATE AREA

		Year Ended June 30		Year to Year % Change 3/	Estimated Unit Cost at June 30, 2003 4/	Percent Change CY 1975 to June 30, 2003
		2001 2/	2002 2/			
<u>Linehaul Expense</u>	<u>CY 1975 1/</u>					
Fuel		\$1,466,344	\$1,076,342			
<u>Other</u>		<u>\$3,749,509</u>	<u>\$3,911,745</u>			
Total	\$951,403	\$5,215,853	\$4,988,087			
Available Ton-miles (000)	5,416,524	19,240,930	17,200,068			
Fuel Cost/ATM		\$0.0762	\$0.0626	-17.85%	\$0.0468	
<u>Other Cost/ATM</u>		<u>\$0.1949</u>	<u>\$0.2274</u>	16.68%	<u>\$0.2875</u>	
Total	\$0.1756				\$0.3343	90.38%
<u>Terminal Expense</u>	\$87,362	\$573,448	\$532,579			
<u>Tons of Baggage and Cargo Enplaned</u>	<u>504,007</u>	<u>1,126,669</u>	<u>952,913</u>			
Cost per Ton Enplaned	\$173.33	\$508.98	\$558.90	9.81%	\$643.83	271.45%

1/ Per Order 79-7-17, Appendix C

2/ Appendix C-1-A for non-fuel data and DOT Form 41, and #5145.2 for fuel.

3/ 2002 unit costs divided by 2001 unit costs less the value of 1.

4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/02 is 1/1/02, and the mid-point of the new rate is 6/30/2003. For example, a 24.14% annual increase for fuel produces a 39.12% increase ($1.2414 \times 1.1207 = 1.3912$) for an 18 month period.

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

LATIN AMERICAN RATE AREA

		Year Ended June 30,		Year to Year	Estimated	Percent Change
	CY 1975 1/	2001 2/	2002 2/	% Change 3/	Unit Cost at June 30, 2003 4/	CY 1975 to June 30, 2003
<u>Linehaul Expense</u>						
Fuel		\$725,145	\$551,747			
<u>Other</u>		<u>\$2,149,152</u>	<u>\$2,258,731</u>			
Total	\$305,304	\$2,874,297	\$2,810,478			
Available Ton-miles (000)	1,560,336	7,849,428	7,425,567			
 Fuel Cost/ATM		\$0.0924	\$0.0743	-19.59%	\$0.0539	
<u>Other Cost/ATM</u>		<u>\$0.2738</u>	<u>\$0.3042</u>	11.10%	<u>\$0.3567</u>	
Total	\$0.1957				\$0.4106	109.81%
 Terminal Expense	\$29,521	\$266,453	\$269,003			
<u>Tons of Bagg. & Cargo Enplaned</u>	<u>185,834</u>	<u>633,697</u>	<u>583,311</u>			
Cost per Ton Enplaned	\$158.86	\$420.47	\$461.17	9.68%	\$530.29	233.81%

1/ Per Order 79-7-17, Appendix C

2/ Appendix C-2-L for non-fuel data and DOT Form 41, and #5145.2 for fuel.

3/ 2002 unit costs divided by 2001 unit costs less the value of 1.

4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/02 is 1/1/02, and the mid-point of the new rate is 6/30/2003. For example, a 29.05% annual increase for fuel produces a 46.80% increase ($1.2905 \times 1.1453 = 1.4780$), in fuel cost for an 18 month period.

INTERNATIONAL SERVICE MAIL RATES
COST ADJUSTMENT FACTORS
(Expenses in Thousands)

PACIFIC RATE AREA

		Year Ended June 30,		Year to Year	Estimated	Percent Change
	CY 1975 1/	2001 2/	2002 2/	% Change 3/	Unit Cost at June 30, 2003 4/	CY 1975 to June 30, 2003
<u>Linehaul Expense</u>						
Fuel		\$1,378,051	\$971,453			
<u>Other</u>		<u>\$3,731,940</u>	<u>\$3,741,867</u>			
Total	\$511,324	\$5,109,991	\$4,713,320			
Available Ton-miles (000)	3,670,476	16,980,113	14,800,585			
 Fuel Cost/ATM		\$0.0812	\$0.0656	-19.21%	\$0.0479	
<u>Other Cost/ATM</u>		\$0.2198	\$0.2528	15.01%	<u>\$0.3126</u>	
Total	\$0.1393				\$0.3605	158.79%
 Terminal Expense	\$42,934	\$610,326	\$585,496			
<u>Tons of Baggage and Cargo Enpl</u>	<u>289,713</u>	<u>1,527,304</u>	<u>1,354,182</u>			
Cost per Ton Enplaned	\$148.19	\$399.61	\$432.36	8.20%	\$486.99	228.63%

1/ Per Order 79-7-17, Appendix C

2/ Appendix C-3-P for non-fuel data and DOT Form 41, and #5145.2 for fuel.

3/ 2002 unit costs divided by 2001 unit costs less the value of 1.

4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/02 is 1/1/02, and the mid-point of the new rate is 6/30/2002. For example, a 21.38% annual increase for fuel produces a 34.36% increase ($1.2138 \times 1.1069 = 1.3436$) in fuel costs for an 18 month period.

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

TRANSBORDER RATE AREA

		Year Ended June 30,		Year to Year	Estimated	Percent Change
	CY 1974 2/	2001 3/	2002 3/	% Change 4/	Unit Cost at June 30, 2003 5/	CY 1974 to June 30, 2003
Linehaul Expense 1/						
Fuel		\$7,692,470	\$5,567,816			
Other		<u>\$21,536,374</u>	<u>\$21,806,742</u>			
Total	\$4,887,268	\$29,228,844	\$27,374,558			
Available Ton-miles (000)	31,929,297	70,965,196	65,509,638			
 Fuel Cost/ATM		\$0.10840	\$0.08499	-21.60%	\$0.05944	
Other Cost/ATM		\$0.30348	\$0.33288	9.69%	<u>\$0.38283</u>	
Total	\$0.15307				\$0.44227	188.93%
 Terminal Expense						
Terminal Departure Related Exp.	\$965,920	\$5,192,946	\$5,531,150			
Available Ton-Miles (000)	<u>31,929,297</u>	<u>70,965,196</u>	<u>65,509,638</u>			
Cost per Available Ton-Mile	\$0.03025	\$0.07318	\$0.08443	15.37%	\$0.1049	246.78%
Terminal Expense	\$613,632	\$3,898,532	\$3,933,551			
Tons of Bagg. & Cargo Enplaned	<u>5,228,239</u>	<u>8,321,210</u>	<u>6,878,480</u>			
Cost per Ton Enplaned	\$117.37	\$468.51	\$571.86	22.06%	\$775.00	560.31%

1/ Includes linehaul and terminal taxi expense.

2/ Per Order 78-11-80, Appendix F.

2/ Appendix C-4-T for non-fuel data and DOT Form 41, and #5145.2 for fuel.

4/ 2002 unit costs divided by 2001 unit costs less the value of 1.

5/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/02 is 1/1/02, and the mid-point of the new rate is 6/30/2002. For example, a 32.66% annual increase for fuel produces a 53.00% increase ($1.3266 \times 1.1633 = 1.5432$) in fuel cost for an 18-month period.

INTERNATIONAL SERVICE MAIL RATES
SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL
(Expenses in Thousands of Dollars)

ATLANTIC RATE AREA

Year Ended June 30, 2001						
American	Continental	Delta	Northwest	United	Total 4/	
Fuel Expense	\$312,966	\$239,735	\$316,513	\$239,785	\$357,345	\$1,466,344
Linehaul Expense 1/	\$1,243,253	\$746,385	\$1,136,253	\$758,391	\$1,331,571	\$5,215,853
Terminal Expense 2/	\$169,203	\$71,565	\$127,779	\$76,701	\$128,200	\$573,448
Available Ton-miles (000)	4,554,681	2,743,065	4,892,944	2,361,366	4,688,874	19,240,930
Tons of Baggage & Cargo Enplaned 3/	276,885	183,166	285,048	121,657	259,913	1,126,669
Year Ended June 30, 2002						
Fuel Expense	\$245,481	\$148,255	\$246,866	\$174,680	\$261,060	\$1,076,342
Linehaul Expense 1/	\$1,140,794	\$553,948	\$1,238,909	\$636,820	\$1,417,616	\$4,988,087
Terminal Expense 2/	\$160,463	\$59,301	\$128,626	\$70,745	\$113,444	\$532,579
Available Ton-miles (000)	4,202,181	2,278,670	4,380,195	2,148,936	4,190,086	17,200,068
Tons of Baggage & Cargo Enplaned 3/	244,210	142,244	239,168	111,603	215,688	952,913

Sources: DOT Form 41 Reports

1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.
2/ Traffic servicing expense-cargo and baggage (Cost Pool 112, Version 6 Costing Methodology, Updated, and related G&A expense.
3/ Baggage weighted at .0175 per passenger.

SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL
(Expenses in Thousands of Dollars)

LATIN AMERICAN RATE AREA

<u>Year Ended June 30, 2001</u>	<u>American</u>	<u>Continental</u>	<u>Delta</u>	<u>United</u>	<u>Total</u>
Fuel Expense	\$374,881	\$169,034	\$72,596	\$108,634	\$725,145
Linehaul Expense 1/	\$1,573,132	\$537,972	\$284,134	\$479,059	\$2,874,297
Terminal Expense 2/	\$171,707	\$30,767	\$33,620	\$30,359	\$266,453
Available Ton-miles (000)	4,240,390	1,238,612	970,703	1,399,723	7,849,428
Tons of Baggage & Cargo Enplaned 3/	369,093	106,694	68,861	89,049	633,697
 <u>Year Ended June 30, 2002</u>					
Fuel Expense	\$290,711	\$117,515	\$65,701	\$77,820	\$551,747
Linehaul Expense 1/	\$1,506,624	\$475,385	\$368,347	\$460,122	\$2,810,478
Terminal Expense 2/	\$172,909	\$31,910	\$38,491	\$25,693	\$269,003
Available Ton-miles (000)	3,957,906	1,151,414	1,122,528	1,193,719	7,425,567
Tons of Baggage & Cargo Enplaned 3/	328,867	103,030	75,023	76,391	583,311

Sources: DOT Form 41 Reports

1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.

2/ Traffic servicing expense-cargo and baggage (Cost Pool 112), per Version 6 Costing Methodology, Updated, and related G&A expense.

3/ Baggage weighted at .0175 per passenger.

SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL
(Expenses in Thousands of Dollars)

PACIFIC RATE AREA

	Air		Federal			
<u>Year Ended June 30, 2001</u>	<u>Micronesia</u>	<u>American</u>	<u>Express</u>	<u>Northwest</u>	<u>United</u>	<u>Total</u>
Fuel Expense	\$59,704	\$77,890	\$164,031	\$535,208	\$541,218	\$1,378,051
Linehaul Expense 1/	\$251,743	\$263,509	\$935,669	\$1,735,797	\$1,923,273	\$5,109,991
Terminal Expense 2/	\$13,641	\$27,136	\$297,690	\$183,760	\$88,099	\$610,326
Available Ton-miles (000)	545,389	1,168,658	3,214,788	5,645,590	6,405,688	16,980,113
Tons of Baggage & Cargo Enplaned 3/	61,221	53,231	589,151	536,559	287,142	1,527,304
 <u>Year Ended June 30, 2002</u>						
Fuel Expense	\$38,554	\$58,917	\$119,876	\$375,198	\$378,908	\$971,453
Linehaul Expense 1/	\$197,403	\$225,564	\$891,367	\$1,477,104	\$1,921,882	\$4,713,320
Terminal Expense 2/	\$10,085	\$22,751	\$314,466	\$164,527	\$73,667	\$585,496
Available Ton-miles (000)	469,349	987,708	3,039,538	4,991,878	5,312,112	14,800,585
Tons of Baggage & Cargo Enplaned 3/	50,719	43,722	567,432	478,806	213,503	1,354,182

Sources: DOT Form 41 Reports

1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.

2/ Traffic servicing expense-cargo and baggage (Cost Pool I12), Version 6 Costing Methodology, Updated, and related G&A expense.

3/ Baggage weighted at .0175 per passenger.

SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL
(Expenses in Thousands of Dollars)

TRANSBORDER RATE AREA

<u>Year Ended June 30, 2001</u>	<u>American</u>	<u>Continental</u>	<u>Delta</u>	<u>Northwest</u>	<u>United</u>	<u>USAirways</u>	<u>Total</u>
Fuel Expense	\$1,696,364	\$847,397	\$1,499,640	\$1,061,508	\$1,552,772	\$1,034,789	\$7,692,470
Linehaul & Terminal Taxi 1/	\$6,191,403	\$3,195,751	\$5,898,481	\$3,418,673	\$6,484,700	\$4,039,836	\$29,228,844
Terminal Departure Exp. 2/	\$1,107,091	\$337,851	\$840,805	\$721,627	\$1,136,098	\$1,049,474	\$5,192,946
Terminal Expense 3/	\$1,041,797	\$280,694	\$695,023	\$603,694	\$846,762	\$430,562	\$3,898,532
Available Ton-Miles (000)	16,630,557	6,658,429	15,750,594	8,761,304	15,037,741	8,126,571	70,965,196
Tons of Bag. and Cargo Enp. 4/	1,515,339	805,739	2,101,061	1,109,660	1,684,261	1,105,150	8,321,210

<u>Year Ended June 30, 2002</u>							
Fuel Expense	\$1,435,283	\$551,269	\$1,067,493	\$759,320	\$1,134,912	\$619,539	\$5,567,816
Linehaul & Terminal Taxi 1/	\$6,765,100	\$2,967,758	\$5,271,102	\$3,143,997	\$5,571,716	\$3,654,885	\$27,374,558
Terminal Departure Exp. 2/	\$1,286,221	\$398,217	\$674,135	\$730,745	\$1,561,959	\$879,873	\$5,531,150
Terminal Expense 3/	\$1,187,918	\$274,854	\$661,826	\$572,752	\$837,099	\$399,102	\$3,933,551
Available Ton-Miles (000)	16,983,301	6,020,152	14,479,988	7,994,382	13,155,995	6,875,820	65,509,638
Tons of Bag. and Cargo Enp. 4/	1,407,412	672,989	1,726,146	930,941	1,288,117	852,875	6,878,480

Sources: DOT Form 41 Reports

1/ Includes the following cost pools per the Version 6 Costing Methodology, Updated: flying operations expense (less rentals) (I1), flight equipment maintenance expenses (I2), flight equipment depreciation, obsolescence and amortization (I3), flight equipment rentals (I4), aircraft servicing-control expense (I9), and related general and administrative expenses (I21).

2/ Includes the following cost pools as defined in the Version 6 Costing Methodology, Updated: Aircraft servicing-line servicing expense (I8), landing fees (I10), maintenance-ground property and equipment (I18), depreciation-general ground property and eqpt. and amortization (less directly assignable portion) (I19), depreciation-maintenance equipment (I20), and related general and administrative expenses (I21).

3/ Traffic servicing cargo and baggage cost pool (I12) per the Version 6 Costing Methodology, Updated, and related G&A Expense (I21).

4/ Baggage weighted at .015895 per passenger.

COMPARISON OF UNIT COSTS BY CARRIER

ATLANTIC RATE AREA

	American	Continental	Delta	Northwest	United	Total	Standard Deviation	Two Standard Deviation Range	
<u>Unit Cost of Fuel</u>									
Year Ended June 30, 2001	\$0.0687	\$0.0874	\$0.0647	\$0.1015	\$0.0762	\$0.0762			
Year Ended June 30, 2002	\$0.0584	\$0.0651	\$0.0564	\$0.0813	\$0.0623	\$0.0626	\$0.0099	\$0.0824	\$0.0428
Percentage Change	-14.99%	-25.51%	-12.83%	-19.90%	-18.24%	-17.85%			
<u>Unit Cost of Nonfuel</u>									
Year Ended June 30, 2001	\$0.2042	\$0.1847	\$0.1675	\$0.2196	\$0.2078	\$0.1949			
Year Ended June 30, 2002	\$0.2131	\$0.1780	\$0.2265	\$0.2151	\$0.2760	\$0.2274	\$0.0354	\$0.2982	\$0.1566
Percentage Change	4.36%	-3.63%	35.22%	-2.05%	32.82%	16.68%			
<u>Unit Cost of Fuel + Nonfuel</u>									
Year Ended June 30, 2001	\$0.2730	\$0.2721	\$0.2322	\$0.3212	\$0.2840	\$0.2711			
Year Ended June 30, 2002	\$0.2715	\$0.2431	\$0.2828	\$0.2963	\$0.3383	\$0.2900			
Percentage Change	-0.55%	-10.66%	21.79%	-7.75%	19.12%	6.97%			
<u>Unit Cost Terminal</u>									
Year Ended June 30, 2001	\$611.09	\$390.71	\$448.27	\$630.47	\$493.24	\$508.98			
Year Ended June 30, 2002	\$657.07	\$416.90	\$537.81	\$633.90	\$525.96	\$558.90	\$95.98	\$750.86	\$366.94
Percentage Change	7.52%	6.70%	19.97%	0.54%	6.63%	9.81%			
<u>Available Ton-Miles</u>									
Year Ended June 30, 2001	4,554,681	2,743,065	4,892,944	2,361,366	4,688,874	19,240,930			
Year Ended June 30, 2002	4,202,181	2,278,670	4,380,195	2,148,936	4,190,086	17,200,068			
Percentage Change	-7.74%	-16.93%	-10.48%	-9.00%	-10.64%	-10.61%			
<u>Tons of Bag. & Cargo Exp.</u>									
Year Ended June 30, 2001	276,885	183,166	285,048	121,657	259,913	1,126,669			
Year Ended June 30, 2002	244,210	142,244	239,168	111,603	215,688	952,913			
Percentage Change	-11.80%	-22.34%	-16.10%	-8.26%	-17.02%	-15.42%			

COMPARISON OF UNIT COSTS BY CARRIER

LATIN AMERICAN RATE AREA

	<u>American</u>	<u>Continental</u>	<u>Delta</u>	<u>United</u>	<u>Total</u>	<u>Standard Deviation</u>	<u>Two Standard Deviation Range</u>	
<u>Unit Cost of Fuel</u>								
Year Ended June 30, 2001	\$0.0884	\$0.1365	\$0.0748	\$0.0776	\$0.0924			
Year Ended June 30, 2002	\$0.0735	\$0.1021	\$0.0585	\$0.0652	\$0.0743	\$0.0192	\$0.1127	\$0.0359
Percentage Change	-16.86%	-25.20%	-21.79%	-15.98%	-19.59%			
<u>Unit Cost of Nonfuel</u>								
Year Ended June 30, 2001	\$0.2826	\$0.2979	\$0.2179	\$0.2646	\$0.2738			
Year Ended June 30, 2002	\$0.3072	\$0.3108	\$0.2696	\$0.3203	\$0.3042	\$0.0223	\$0.3488	\$0.2596
Percentage Change	8.70%	4.33%	23.73%	21.05%	11.10%			
<u>Unit Cost of Fuel + Nonfuel</u>								
Year Ended June 30, 2001	\$0.3710	\$0.4343	\$0.2927	\$0.3423	\$0.3662			
Year Ended June 30, 2002	\$0.3807	\$0.4129	\$0.3281	\$0.3855	\$0.3785			
Percentage Change	2.61%	-4.93%	12.09%	12.62%	3.36%			
<u>Unit Cost Terminal</u>								
Year Ended June 30, 2001	\$465.21	\$288.37	\$488.23	\$340.92	\$420.47			
Year Ended June 30, 2002	\$525.77	\$309.72	\$513.06	\$336.34	\$461.17	\$114.02	\$689.21	\$233.13
Percentage Change	13.02%	7.40%	5.09%	-1.34%	9.68%			
<u>Available Ton-Miles</u>								
Year Ended June 30, 2001	4,240,390	1,238,612	970,703	1,399,723	7,849,428			
Year Ended June 30, 2002	3,957,906	1,151,414	1,122,528	1,193,719	7,425,567			
Percentage Change	-6.66%	-7.04%	15.64%	-14.72%	-5.40%			
<u>Tons of Bag. & Cargo Enp.</u>								
Year Ended June 30, 2001	369,093	106,694	68,861	89,049	633,697			
Year Ended June 30, 2002	328,867	103,030	75,023	76,391	583,311			
Percentage Change	-10.90%	-3.43%	8.95%	-14.21%	-7.95%			

COMPARISON OF UNIT COSTS BY CARRIER

PACIFIC RATE AREA

	Continental Micronesia	American	Federal Express	Northwest	United	Total	Standard Deviation	Two Standard Deviation Range	
<u>Unit Cost of Fuel</u>									
Year Ended June 30, 2001	\$0.1095	\$0.0666	\$0.0510	\$0.0948	\$0.0845	\$0.0812			
Year Ended June 30, 2002	\$0.0821	\$0.0597	\$0.0394	\$0.0752	\$0.0713	\$0.0656	\$0.0167	\$0.0322	\$0.0990
Percentage Change	-25.02%	-10.36%	-22.75%	-20.68%	-15.62%	-19.21%			
<u>Unit Cost of Nonfuel</u>									
Year Ended June 30, 2001	\$0.3521	\$0.1588	\$0.2400	\$0.2127	\$0.2158	\$0.2198			
Year Ended June 30, 2002	\$0.3384	\$0.1687	\$0.2538	\$0.2207	\$0.2905	\$0.2528	\$0.0649	\$0.1230	\$0.3826
Percentage Change	-3.89%	6.23%	5.75%	3.76%	34.62%	15.01%			
<u>Unit Cost of Fuel + Nonfuel</u>									
Year Ended June 30, 2001	\$0.4616	\$0.2255	\$0.2911	\$0.3075	\$0.3002	\$0.3009			
Year Ended June 30, 2002	\$0.4206	\$0.2284	\$0.2933	\$0.2959	\$0.3618	\$0.3185			
Percentage Change	-8.88%	1.29%	0.76%	-3.77%	20.52%	5.85%			
<u>Unit Cost Terminal</u>									
Year Ended June 30, 2001	\$222.82	\$509.78	\$505.29	\$342.48	\$306.81	\$399.61			
Year Ended June 30, 2002	\$198.84	\$520.36	\$554.19	\$343.62	\$345.04	\$432.36	\$145.46	\$141.44	\$723.28
Percentage Change	-10.76%	2.08%	9.68%	0.33%	12.46%	8.20%			
<u>Available Ton-Miles</u>									
Year Ended June 30, 2001	545,389	1,168,658	3,214,788	5,645,590	6,405,688	16,980,113			
Year Ended June 30, 2002	469,349	987,708	3,039,538	4,991,878	5,312,112	14,800,585			
Percentage Change	-13.94%	-15.48%	-5.45%	-11.58%	-17.07%	-12.84%			
<u>Tons of Bag. & Cargo Exp.</u>									
Year Ended June 30, 2001	61,221	53,231	589,151	536,559	287,142	1,527,304			
Year Ended June 30, 2002	50,719	43,722	567,432	478,806	213,503	1,354,182			
Percentage Change	-17.15%	-17.86%	-3.69%	-10.76%	-25.65%	-11.34%			

COMPARISON OF COSTS, TRANSBORDER RATE AREA

	American	Continental	Delta	Northwest	United	USAirways	Total	Standard Deviation	Two Standard Deviation Range	
<u>Unit Cost of Fuel</u>										
Year Ended June 30, 2001	\$0.10200	\$0.12727	\$0.09521	\$0.12116	\$0.10326	\$0.12733	\$0.10840			
Year Ended June 30, 2002	\$0.08451	\$0.09157	\$0.07372	\$0.09498	\$0.08627	\$0.09010	\$0.08499	\$0.0082	\$0.0686	\$0.1014
Percentage Change	-17.15%	-28.05%	-22.57%	-21.61%	-16.45%	-29.24%	-21.60%			
<u>Unit Cost of Nonfuel</u>										
Year Ended June 30, 2001	\$0.27029	\$0.35269	\$0.27928	\$0.26904	\$0.32797	\$0.36978	\$0.30348			
Year Ended June 30, 2002	\$0.31383	\$0.40140	\$0.29030	\$0.29829	\$0.33725	\$0.44145	\$0.33288	\$0.0658	\$0.2013	\$0.4645
Percentage Change	16.11%	13.81%	3.95%	10.87%	2.83%	19.38%	9.69%			
<u>Unit Cost of Fuel + Nonfuel</u>										
Year Ended June 30, 2001	\$0.37229	\$0.47996	\$0.37449	\$0.39020	\$0.43123	\$0.49711	\$0.41188			
Year Ended June 30, 2002	\$0.39834	\$0.49297	\$0.36403	\$0.39328	\$0.42351	\$0.53156	\$0.41787			
Percentage Change	7.00%	2.71%	-2.79%	0.79%	-1.79%	6.93%	1.45%			
<u>Unit Cost A/C Svc. & Grd.</u>										
Year Ended June 30, 2001	\$0.06657	\$0.05074	\$0.05338	\$0.08237	\$0.07555	\$0.12914	\$0.07318			
Year Ended June 30, 2002	\$0.07573	\$0.06615	\$0.04656	\$0.09141	\$0.11873	\$0.12797	\$0.08443	\$0.0344	\$0.0156	\$0.1532
Percentage Change	13.76%	30.37%	-12.78%	10.97%	57.15%	-0.91%	15.37%			
<u>Unit Cost Terminal</u>										
Year Ended June 30, 2001	\$687.50	\$348.37	\$330.80	\$544.04	\$502.75	\$389.60	\$468.51			
Year Ended June 30, 2002	\$844.04	\$408.41	\$383.41	\$615.24	\$649.86	\$467.95	\$571.86	\$121.06	\$329.74	\$813.98
Percentage Change	22.77%	17.23%	15.90%	13.09%	29.26%	20.11%	22.06%			
<u>Available Ton-Miles</u>										
Year Ended June 30, 2001	16,630,557	6,658,429	15,750,594	8,761,304	15,037,741	8,126,571	70,965,196			
Year Ended June 30, 2002	16,983,301	6,020,152	14,479,988	7,994,382	13,155,995	6,875,820	65,509,638			
Percentage Change	2.12%	-9.59%	-8.07%	-8.75%	-12.51%	-15.39%	-7.69%			
<u>Tons of Bag. & Cargo Enp.</u>										
Year Ended June 30, 2001	1,515,339	805,739	2,101,061	1,109,660	1,684,261	1,105,150	8,321,210			
Year Ended June 30, 2002	1,407,412	672,989	1,726,146	930,941	1,288,117	852,875	6,878,480			
Percentage Change	-7.12%	-16.48%	-17.84%	-16.11%	-23.52%	-22.83%	-17.34%			

Historical Trends in Costs Underlying International Mail Rates

ATLANTIC DATA BASE

	Order	Year	Fuel	Non-Fuel	Terminal
	Number	Ended	\$/ATM	\$/ATM	\$/Ton
1 .	91-8-5	9/30/89	\$0.0731	\$0.1967	\$475.33
2 .	91-8-5	9/30/90	\$0.0882	\$0.2060	\$508.24
3 .	92-4-30	9/30/91	\$0.1039	\$0.2444	\$657.51
4 .	94-8-27	9/30/92	\$0.0775	\$0.2161	\$617.80
5 .	95-6-32	9/30/93	\$0.0743	\$0.2141	\$563.42
6 .	95-6-32	9/30/94	\$0.0653	\$0.2077	\$470.30
7 .	97-5-23	9/30/95	\$0.0600	\$0.1976	\$465.09
8 .	97-5-23	9/30/96	\$0.0661	\$0.2071	\$469.76
9 .	99-4-1	6/30/97	\$0.0719	\$0.1967	\$457.22
10 .	99-4-1	6/30/98	\$0.0573	\$0.1949	\$443.61
11 .	01-7-9	6/30/99	\$0.0461	\$0.1975	\$511.79
13 .	01-11-8	6/30/00	\$0.0613	\$0.1906	\$484.07
14 .	2-12-23	6/30/01	\$0.0762	\$0.1949	\$508.98
15 .	New	6/30/02	\$0.0626	\$0.2274	\$558.90

LATIN DATA BASE

	Order	Fuel	Non-Fuel	Terminal
	Number	\$/ATM	\$/ATM	\$/Ton
	91-8-5	\$0.0614	\$0.2692	\$261.26
	91-8-5	\$0.1025	\$0.2713	\$295.57
	92-4-30	\$0.1196	\$0.2640	\$352.64
	94-8-27	\$0.0882	\$0.2764	\$367.71
	95-6-32	\$0.0809	\$0.2625	\$295.28
	95-6-32	\$0.0674	\$0.2521	\$277.17
	97-5-23	\$0.0636	\$0.2471	\$308.47
	97-5-23	\$0.0679	\$0.2568	\$338.34
	99-4-1	\$0.0758	\$0.2518	\$324.00
	99-4-1	\$0.0640	\$0.2572	\$358.10
	01-2-4	\$0.0520	\$0.2509	\$401.34
	01-11-8	\$0.0716	\$0.2098	\$376.96
	2-12-23	\$0.0924	\$0.2738	\$420.47
	New	\$0.0743	\$0.3042	\$461.17

PACIFIC DATA BASE

	Order	Year	Fuel	Non-Fuel	Terminal
	Number	Ended	\$/ATM	\$/ATM	\$/Ton
1 .	91-8-5	9/30/89	\$0.0807	\$0.1724	\$259.58
2 .	91-8-5	9/30/90	\$0.0881	\$0.1809	\$269.40
3 .	92-4-30	9/30/91	\$0.1066	\$0.1870	\$328.19
4 .	94-8-27	9/30/92	\$0.0771	\$0.1925	\$331.93
5 .	95-6-32	9/30/93	\$0.0741	\$0.1871	\$322.75
6 .	95-6-32	9/30/94	\$0.0671	\$0.1931	\$345.47
7 .	97-5-23	9/30/95	\$0.0665	\$0.2038	\$391.95
8 .	97-5-23	9/30/96	\$0.0736	\$0.2125	\$378.83
9 .	99-4-1	6/30/97	\$0.0795	\$0.2115	\$372.36
10 .	99-4-1	6/30/98	\$0.0628	\$0.2178	\$345.92
11 .	01-7-9	6/30/99	\$0.0507	\$0.2200	\$351.24
13 .	01-11-8	6/30/00	\$0.0669	\$0.2054	\$376.91
14 .	2-12-23	6/30/01	\$0.0812	\$0.2198	\$399.61
15 .	New	6/30/02	0.0656	\$0.2528	\$432.36

TRANSBORDER DATA BASE

	Order	\$/ATM	\$/ATM	\$/ATM	\$/TON
	Number	Fuel	Other	Terminal	Terminal
	91-8-5	\$0.0877	\$0.20371	\$0.06102	\$318.19
	91-8-5	\$0.1029	\$0.22114	\$0.06388	\$343.75
	92-4-30	\$0.1127	\$0.23374	\$0.06822	\$353.37
	94-8-27	\$0.0905	\$0.23443	\$0.06726	\$337.85
	95-6-32	\$0.0851	\$0.24185	\$0.06708	\$360.13
	95-6-32	\$0.0768	\$0.24608	\$0.06673	\$345.30
	97-5-23	\$0.0743	\$0.24389	\$0.06248	\$355.85
	97-5-23	\$0.0830	\$0.26021	\$0.06220	\$370.78
	99-4-1	\$0.0914	\$0.25464	\$0.06377	\$391.56
	99-4-1	\$0.0779	\$0.26798	\$0.06365	\$389.35
	01-7-9	\$0.0662	\$0.27649	\$0.06646	\$424.90
	01-11-8	\$0.0817	\$0.28087	\$0.06916	\$428.18
	2-12-23	\$0.1084	\$0.30348	\$0.07318	\$468.51
	New	\$0.0850	\$0.33288	\$0.08443	\$571.86